



Board of County Commissioners Leon County, Florida

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Budget Discussion Item Executive Summary

June 22, 2010

Title:

Current Status of the Building Inspection and Growth and Environmental Management Funds Including Additional Position Reductions

Staff:

Parwez Alam, County Administrator
Vincent S. Long, Deputy County Administrator
Alan Rosenzweig, Assistant County Administrator
Scott Ross, Director, Office of Management and Budget
David McDevitt, Growth and Environmental Management Director

Issue Briefing:

This item provides the Board an update on revenue projections and fund balance for the Building Inspection and Growth and Environmental Management Funds. Because of the downturn in the real estate and construction related markets in the County, the Building and Growth Management funds have experienced a significant decline in revenue collections. As a result, the department has utilized fund balance; maintained a hiring freeze; and reduced expenditures by eliminating nine positions during the FY10 budget process and an additional nine positions during a FY10 mid-year reorganization to be effectuated through the adoption of the FY11 budget.

Fiscal Impact:

As a result of reductions in personnel, the Growth Fund is being reduced \$464,154 or 9% from FY10 and the Building Fund is being reduced \$224,368 or 8% from FY10. Historically, these funds have provided a portion of their revenue to support cost allocations (i.e. Human Resources, MIS, Facilities Management, etc.) for services that benefit the department. During the next fiscal year, the budget reflects the cost allocations being charged, however, in order to maintain a balanced budget, general revenue will be utilized to support these expenses. For the Building Fund this support is \$160,000. The Growth Management Fund's general revenue support has increased from its historic 50% of the operating budget to 72% for the FY11 Tentative Budget. If economic conditions do not improve and revenues continue to decline, the remaining fund balances will be depleted and at some point in FY11 the general revenue subsidies will have to increase or further expenditure reductions, including personnel will need to be made.

Staff Recommendation:

Option #1: Accept staff's summary report regarding the Building Inspection and Growth Management Funds which includes the elimination of 9 positions to be effectuated through the adoption of the FY11 budget.

Report and Discussion

Background:

Because of the downturn in the real estate and construction related markets in the County, the Building and Growth Management funds have experienced a significant decline in revenue collections. In order to offset reductions and maintain current service levels, the department has utilized fund balance; reduced expenditures by eliminating nine positions during the FY10 budget process; and continued a hiring freeze. In addition, a FY10 mid-year reorganization of the department resulted in the elimination of an additional nine positions, saving an estimated \$500,000 in FY10 and \$688,521 in FY11. These position reductions will be effectuated through the FY11 budget.

Analysis:

Building Inspection Fund

As a result of the economic downturn, the County is experiencing a decline in development activity and the associated building permit requests. The following summarizes the current analysis of the fund.

FY10 Fee Revenues and Budget Status

- FY09 fee revenues for building permits totaled \$1.2 million. To date, FY10 revenues are estimated to be 13% below FY09 collections.
- Based on fees collected for the first and second quarters, the Division is estimating to be approximately \$250,000 short of its FY10 budget.
- To date (November 2009 – May 2010), the Division has brought in \$28,753 in revenue by providing temporary building inspection services to Wakulla County.
- In an effort to minimize expenses, Building Inspection maintained a hiring freeze and eliminated 3.25 positions during mid-year FY10, saving an estimated \$189,000 in FY10 and \$224,368 for FY11.

FY11 and Future Out-years

In order to balance the fund for FY11, expenses were reduced with the elimination of 3.25 positions and utilizing \$112,789 in fund balance. Historically, the Building Fund has paid cost allocations to the general fund for the support the department receives from departments such as Human Resources, MIS, Facilities Management, etc. For next year, these services, totaling \$160,000, will be supported through the use of general revenues. Table 1 details the estimate of the remaining fund balance beginning in FY10, and the projected utilization in FY11 and FY12.

Table 1. Remaining Fund Balance Utilization for Building Inspection

Fiscal Year	Projected Fund Balance	Projected Utilization
FY 2010	*\$236,431	\$104,247
FY 2011	\$132,184	\$112,789
FY 2012	\$19,395	\$19,395

*Actual FY10 Beginning Fund Balance

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If the economic downturn continues beyond next fiscal year, the remaining fund balance will not be adequate to cover future deficiencies. If, however, the downward trend worsens, this depletion will occur earlier. If this scenario occurs, at some point next fiscal year the general revenue subsidy will have to be increased or further expenditure reductions will need to be made. Staff will be closely monitoring the revenue collections throughout the fiscal year and will provide the Board regular updates.

Growth and Environmental Management Fund

The Growth Management Fund has historically been funded through a 50/50 split of development review and environmental permitting application fees and general revenue. Due to the recession, development permitting activity has declined along with associated permitting fee revenue.

FY10 Revenues and Budget Status

- To date, FY10 revenues are down 44% for the same period in FY09.
- Based on fee collections for the first and second quarters, collections are estimated at approximately \$204,500 short of the FY10 budget.
- 5.75 positions were eliminated from the Growth fund mid-year FY10, saving an estimated \$311,000 in FY10 and \$464,154 in FY11.
- The fund is estimated to utilize \$696,338 in fund balance to offset revenue declines.

Table 2. Growth Management Budget Projections

FY10 Revenue Projection	FY10 General Revenue Subsidy	FY10 Expenditure Projection	FY10 Fund Balance Utilization
\$938,043	\$1,987,001	\$3,621,382	\$696,338

FY11 and Future Out-years

The Growth fund has a proposed budget of \$3,182,299 for FY11. Total revenue collections (license and permit fees & other misc. revenues) are projected to be \$906,870. In order to help balance the fund, 72% of the proposed budget, or \$2,275,429 is currently being transferred from the County's general revenue to subsidize the Department's operations. Consistent with the Building Fund, cost allocations (i.e. Human Resources, MIS, Facilities Management, etc.) supporting Growth Management will be paid for through general revenues.

The Growth fund has an estimated FY10 year-ending fund balance of \$300,126. In an effort to replenish some fund balance, none was used to balance the FY11 budget. However, if the economic downturn continues into next fiscal year, the remaining fund balance can possibly be depleted and an increase to the general fund subsidy or further expenditure reductions, including personnel, may be required. Staff will be closely monitoring the situation throughout the fiscal year and will provide the Board regular updates.

Options:

1. Accept staff's summary report regarding the status of revenue collections and fund balance for the Building Inspection and Growth Management Funds which includes the elimination of 9 positions to be effectuated through the adoption of the FY11 budget.
2. Do not accept staff's report regarding the status of revenue collections and fund balance for the Building Inspection and Growth Management Funds which includes the elimination of 9 positions to be effectuated through the adoption of the FY11 budget.
3. Board Direction.

Recommendation:

Option #1

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